



State of Wisconsin
Department of Health and Family Services

Jim Doyle, Governor
Helene Nelson, Secretary

Health Insurance Portability and Accountability Act (HIPAA)

	FY 04		FY 05	
	GPR	All Funds	GPR	All Funds
Income Augmentation ⁽¹⁾		\$ 2,404,000		\$ 714,000
Other Funding		\$ 5,772,200		\$ 1,919,300
Total Funding		\$ 8,176,200		\$ 2,633,300

⁽¹⁾ Income Augmentation is federal funding claimed in excess of base budgeted levels. Income Augmentation funds can be used in the same way as GPR.

Description of Proposal

- Funds the projected costs of meeting the requirements of the federal Health Insurance Portability and Accountability Act (HIPAA) in the 2003-05 biennium.

Background

- The federal Health Insurance Portability and Accountability Act (HIPAA) became law on August 21, 1996. It mandates the standardization of electronic transactions for health care administration and protects patient health information.
- Compliance with HIPAA is a federal mandate with civil and criminal penalties for non-compliance.
- The current HIPAA law requires covered entities like DHFS to ensure the integrity and confidentiality of health information.
- There are 13 systems and/or programs within DHFS that provide health care services and require system and business changes to comply with HIPAA. The Department is also providing some technical assistance to the counties to become HIPAA-compliant.
- The Department, in the 2001-03 biennium, put in place a work plan identifying planning requirements and implementation tasks for all of the final regulations.
- DHFS health programs must be in compliance with the initial two HIPAA federal rules by October 2003.

Rationale for Proposal

- The federal Centers for Medicare and Medicaid Services (CMS) may withdraw matching Medicaid improvement funds from a state if it is not compliant with the federal Transaction and Code Set Rule by October 16, 2003.

- Non-compliance can result in civil and criminal penalties starting in April 2003. Civil penalties are up to \$25,000 per year for each standard violated. If an offense is committed under false pretenses, the maximum penalty is \$100,000 and/or 5 years. If the offense is committed for commercial advantage, personal gain, or malicious harm, the maximum penalty is \$250,000 and/or 10 years.
- Business partners and the public could be adversely impacted if DHFS is not in compliance with the HIPAA transaction rule because there could be delays in claims payments. Non-compliance with the HIPAA privacy rule could lead to concerns from advocacy groups and litigation.
- HIPAA implementation will produce long-term benefits to health care users and providers in Wisconsin, including:
 - More efficient and effective eligibility inquiry, benefit coordination, and claims payment processes.
 - Quicker payment and fewer claims rejections for public and private health care providers.
 - Reduced administrative costs for public and private health care plans due to increasingly automated adjudication of claims.